

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting, Proposal Nine

Docket No. RM2015-18

PUBLIC REPRESENTATIVE COMMENTS ON  
THE PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE  
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES  
IN ANALYTICAL PRINCIPLES (PROPOSAL NINE)  
September 10, 2015

The Public Representative provides comments pursuant to Order No. 2655.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the Public Representative, on a Petition by the United States Postal Service (Postal Service) to make carrier route sacks (CRTS) pallet costs equal to 5-digit pallet costs (Petition Nine).<sup>2</sup>

Postal Service Proposal

The Postal Service proposes to use the current method of developing costs for 5-Digit Pallets to develop CRTS pallet costs. The current method of developing 5-digit pallet costs is based upon the costs of four activities performed from entry to arrival at the destination delivery unit (DDU) and the number of facilities through which each of these activities is handled. The four 5-digit activities are<sup>3</sup>:

- Entered at SCF/ADC and Crossdocked
- Entered Upstream, SCF/ADC Crossdock
- Entered at DDU and Worked
- Worked at DDU

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<sup>1</sup> PRC Order No. 2655, Notice Of Proposed Rulemaking On Analytical Principles Used In Periodic Reporting (Proposal Nine), August 11, 2015.

<sup>2</sup> Petition of The United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), August 5, 2015.

<sup>3</sup> See, File: PER\_OC\_Order 2472-7, Worksheet: 5-DIGIT PALLETS

The Postal Service maintains that “CRTS pallets (5-Digit or 5-Digit Scheme pallets containing nothing but Carrier Route bundles) and all other 5-Digit/5-Digit Scheme pallets are processed identically -- they are cross-docked to the delivery unit where the bundles are distributed to carriers.” Petition Nine at 2. The Postal Service reaches this conclusion because “only one-half of one percent of the mail on ... [5-Digit] pallets was prepared in 5-digit bundles.” Id. The remaining 99.95 percent of the mail on 5-digit pallets is contained in carrier route bundles. The remainder is residual mail.

### Public Representative Comments

The Public Representative (PR) has reviewed the Postal Service’s Petition and supporting documents. It does not support the Postal Service’s Proposal, because the current development of 5-Digit Pallet costs does not include the cost of working residual mail – the 0.5 percent of mail not in a carrier route bundle. The PR modified the 5-Digit Pallet worksheet to account for the cost of handling this residual mail in the following fashion:

- reduce the number of facilities where mail is only entered and cross-docked by 0.5 percent at each appropriate entry level.
- add 0.5 percent to the number of facilities where the residual mail would be worked at each appropriate entry level.
- Use the same formulas already in the worksheet.

The results are shown in the two tables below. Working residual mail increases 5-digit pallet costs between 0.1 to 0.2 percent.<sup>4</sup> The PR’s analysis is meant to illustrate that handling even a small amount of residual mail on pallets can increase pallet costs, and should be taken into account if it is feasible to do so. There may be more appropriate methods of accounting for the cost of handling residual mail on pallets. Either the Commission or the Postal Service should develop the most appropriate method for including the cost of handling residual mail on 5-Digit Pallets that is not in a carrier route bundle.

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<sup>4</sup> With the exception of pallets entered at the DDU. In this case the base cost is of working residual mail at the DDU is very high compared to activities performed earlier in the pallet flow.

**Table 1**  
**Cost of 5 Digit Pallets With Residual Handling Costs**

<b>Container Flow Costs</b>			<b>3.241</b>	<b>3.210</b>	<b>3.224</b>	<b>2.181</b>	<b>1.948</b>	<b>1.000</b>	<b>0.000</b>
<b>Cost Description</b>	<b>Cost ID</b>	<b>Pallet Activity Cost</b>	<b>OSCF</b>	<b>OADC</b>	<b>OBMC</b>	<b>DBMC</b>	<b>DADC</b>	<b>DSCF</b>	<b>DDU</b>
Entered at SCF/ADC and Crossdocked	SEC	11.301	0.995	0.995	0.995	0.995	0.995	0.995	
Entered at ADC and Worked	AEW	21.473	0.005	0.005	0.005	0.005	0.005	0.005	
Entered Upstream, SCF/ADC Crossdock	SCD	15.960	2.246	2.215	2.229	1.181	0.948	0.000	
Entered Upstream, Worked at ADC	AW	26.132							
Entered at SCF and Worked	SEW	20.841							
Entered Upstream, Worked at SCF	SW	25.500				0.005	0.005	0.005	
FSS Scheme Entered at SCF and Worked	FSS SEW	11.659							
FSS Scheme Entered Upstream, Worked at SCF	FSS SW	16.318							
Entered Upstream, BMC Crossdock	BCD	16.392							
Entered at BMC and Crossdocked	BEC	11.733							
Entered at DDU and Worked	DE W	2.665							0.995
Worked at DDU	DW	23.522	1.000	1.000	1.000	0.995	0.995	0.995	0.005
Does Not Apply	NA								
<b>Total</b>		<b>203.493</b>	<b>70.714</b>	<b>70.222</b>	<b>70.449</b>	<b>53.736</b>	<b>50.019</b>	<b>34.884</b>	<b>2.769</b>

Source: Docket No. RM2015-18, Proposal Nine, File: PER\_OC\_Order 2472-7.xlsx

**Table 2**  
**Cost of 5 Digit Pallets Without Residual Handling Costs**

<b>Container Flow Costs</b>			<b>3.241</b>	<b>3.210</b>	<b>3.224</b>	<b>2.181</b>	<b>1.948</b>	<b>1.000</b>	<b>0.000</b>
<b>Cost Description</b>	<b>Cost ID</b>	<b>Pallet Activity Cost</b>	<b>OSCF</b>	<b>OADC</b>	<b>OBMC</b>	<b>DBMC</b>	<b>DADC</b>	<b>DSCF</b>	<b>DDU</b>
Entered at SCF/ADC and Crossdocked	SEC	11.301	1.000	1.000	1.000	1.000	1.000	1.000	
Entered at ADC and Worked	AEW	21.473							
Entered Upstream, SCF/ADC Crossdock	SCD	15.960	2.241	2.210	2.224	1.181	0.948	0.000	
Entered Upstream, Worked at ADC	AW	26.132							
Entered at SCF and Worked	SEW	20.841							
Entered Upstream, Worked at SCF	SW	25.500							

<b>Table 2, Continued</b>									
<b>Container Flows</b>			<b>3.241</b>	<b>3.210</b>	<b>3.224</b>	<b>2.181</b>	<b>1.948</b>	<b>1.000</b>	<b>0.000</b>
<b>Cost Description</b>	<b>Cost ID</b>	<b>Pallet Activity Cost</b>	<b>OSCF</b>	<b>OADC</b>	<b>OBMC</b>	<b>DBMC</b>	<b>DADC</b>	<b>DSCF</b>	<b>DDU</b>
FSS Scheme Entered at SCF and Worked	FSS SEW	11.659							
FSS Scheme Entered Upstream, Worked at SCF	FSS SW	16.318							
Entered Upstream, BMC Crossdock	BCD	16.392							
Entered at BMC and Crossdocked	BEC	11.733							
Entered at DDU and Worked	DEW	2.665							1.000
Worked at DDU	DW	23.522	1.000	1.000	1.000	1.000	1.000	1.000	
Does Not Apply	NA								
Total		203.493	70.583	70.091	70.319	53.675	49.959	34.823	2.665
Difference: Table 1 versus 2			0.131	0.131	0.131	0.061	0.061	0.061	0.104
Percent Difference			0.18%	0.19%	0.19%	0.11%	0.12%	0.17%	3.77%

Source: Docket No. RM2015-18, Proposal Nine, File: PER\_OC\_Order 2472-7.xlsx

The Public Representative respectfully submits these comments for the Commission's consideration.

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